

Message from the President



Hiroshi Yokota, President

Looking Back, Up Until Fiscal 2017

Looking back, my first year as the Company's president started with the posting of a huge impairment loss related to our solar-grade polycrystalline silicon business. Given this situation, we took decisive action, implementing various reform measures that placed priority on rebuilding our financial platform to ensure the revitalization of the Tokuyama Group. In fiscal 2016, my second year, amid this difficult management situation, operating income substantially exceeded forecasts at the beginning of the fiscal year owing to the fair winds of falling raw material and fuel costs, among other factors. We also reached the decision to transfer the shares of the consolidated subsidiary engaged in the solar-grade polycrystalline silicon business that had been the cause of so much concern, Tokuyama Malaysia Sdn. Bhd., to a Korean firm. In my third year, fiscal 2017, we marked the completion of this sale of Tokuyama Malaysia shares, and together with this, on June 14, 2017, we also acquired and canceled a total of ¥20 billion worth of Class A shares issued in fiscal 2016 as a cash consideration.

In terms of profitability, despite the headwinds of soaring raw materials and fuel costs, a reversal from the previous fiscal year, in fiscal 2017 we were able to post record-setting net sales and operating income. This was attributable to a firm foundation of manufacturing, such as with cost cutting and stable operations. On top of this, though, we also endeavored to revise selling prices of caustic soda and polyvinyl chloride in our Chemicals segment, and in Specialty Products, we were able to increase sales volumes as we were recognized for our distinctive products in the semiconductor-related market.

With regard to cash dividends, we set the fiscal 2017 interim dividend at ¥2 per share (the Company consolidated its common shares at a ratio of one share for each five shares, effective as of October 1, 2017. After the consolidation, the dividend essentially became ¥10 per share). The year-end dividend per share amounted to ¥20, which was comprised of a base dividend of ¥10 per share, as well as an additional ¥10 per share as a 100th anniversary commemorative dividend. This essentially made for fiscal year dividends of ¥30 per share. We are planning fiscal 2018 interim and year-end dividends of ¥25 per share, respectively, for a total of ¥50 per share.

Medium-Term Management Plan Foundation: “Change the Group’s Organizational Culture and Structure”

Two years have passed since we launched the Medium-Term Management Plan in May 2016. This fiscal year we welcome a turnaround point.

With regard to planning, we newly formulated our “Tokuyama Vision” as a revision of our corporate basic policy, which after 27 years had become outdated. In tandem with this, as our vision of an ideal Tokuyama Group in 2025, we set forth a goal of becoming a “global leader in advanced materials through unique technologies” in growth businesses such as Specialty Products and Life & Amenity, and in our traditional Chemicals and Cement businesses, to become “a leader in Japan through strengthening competitiveness.” For this Medium-Term Management Plan, we also formulated management numerical targets for fiscal 2020 that we would treat as milestones, and we are addressing priority issues toward achieving those targets.

In promoting the Medium-Term Management Plan, the theme of critical importance is to change the Group’s organizational culture and structure. I am aware that Tokuyama’s insular corporate culture has emerged as a factor that has contributed to the posting of enormous losses for two consecutive fiscal years and that has hindered business growth. I believe that bringing back the vital culture of “focusing on our customers” and having an “outward-looking approach,” which Tokuyama had lost over a period of many years, will result in achieving our targets for fiscal 2020 and realizing an ideal Tokuyama Group in fiscal 2025.

On the other hand, it is not easy to change a culture and a mindset that have been entrenched for many years. It is my belief that when those in senior management seize the initiative to drive things forward, this is what will greatly motivate division leaders and division staff members.

For this reason, from fiscal 2016, the first year of the Medium-Term Management Plan, we endeavored to exchange opinions and provide on-site guidance to employees, particularly those in the managerial class who will bear the responsibilities of the Company going forward. This guidance concerned transformation, specifically of business functions, the work itself, and of their consciousness so as to instill the “Tokuyama Vision” in each and every employee of the Tokuyama Group. This initiative is ongoing even today. Together with this, we revised overall personnel systems so as to reflect the results we achieve to how we do things.

Toward “Global Leader in Advanced Materials” and “Leader in Japan through Strengthening Competiveness in Traditional Business”

Enhanced Profitability by Restructuring of Business Strategies

We will build a lean and sturdy business structure that stands up well to changes in the economic environment so that we can successfully accomplish the Medium-Term Management Plan. At the same time, we will also endeavor to strengthen profitability from the Medium-Term Management Plan’s two underpinning pillars, namely, “Growth Businesses” and “Traditional Businesses.”

In semiconductor-related products, which represent an important business domain, we will further hone the high quality and high purity that are Tokuyama’s strengths amid ever-increasing demand for miniaturization and build a value chain that meets qualitative and quantitative requirements.

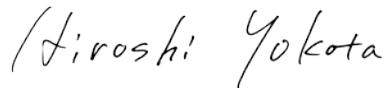
In the healthcare domain, we will cultivate business as four pillars: plastic lens-related materials; diagnostic reagent and clinical systems; dental materials and equipment; and active pharmaceutical ingredients (API). Here, the key to monetization lies in marketing. By firmly putting in place sales channels for our healthcare-related materials, we will accelerate the growth of our market share.

In the traditional business segments of Chemicals and Cement, although Japan is a market of mature industries, surging demand in overseas markets remains unabated. Amid the dramatic changes swelling up outside of Japan, I would like to see us gain the trust of customers so as to achieve business continuity and maximize profits.

A “Global Leader in Advanced Materials” and a “Leader in Japan through Strengthening Competitiveness in Traditional Business”

As was the case last fiscal year, raw materials costs are projected to continue to soar in fiscal 2018. Our concerted efforts to promote changes to the Group’s organizational culture and structure are ongoing, and we will work to foster a vibrant corporate culture in which we execute business operations with a sense of urgency. In this way we aim to achieve our budget, and furthermore, to surpass those results of the previous fiscal year. For myself as well, I will work to fulfill my role in top management so that we will be able to achieve these results.

All of us in the Company will work vigorously and as one to achieve the fiscal 2020 targets of the Medium-Term Management Plan, and to realize our vision of the Tokuyama Group in fiscal 2025. As we move toward achieving those targets, we kindly request the continued support and understanding of all our shareholders and other stakeholders.



Hiroshi Yokota

President

June 2018